

June 15, 2000

MEMORANDUM FOR BOB WENZEL  
DEPUTY COMMISSIONER OF OPERATIONS

FROM: Kelly Cables  
Organizational Performance Management Executive

SUBJECT: Comments Received on Seven Sets of IRS Balanced Measures

In January 2000, the IRS released seven sets of IRS Balanced Measures for public comment (Appeals, Collection, Customer Service, Examination, Large and Mid-Size Business, Taxpayer Advocate Service, Tax Exempt/Government Entities). The comments received have been important for the Service in assessing the public's understanding of our progress and in improving organizational performance at the IRS. Questions/comments were either answered directly by IRS Organizational Performance staff and/or forwarded to the particular IRS office for consideration in improvements of the IRS Balanced Measurement System.

[Balanced.measures@IRS.gov](mailto:Balanced.measures@IRS.gov) received four comments from the general public outside of the IRS. IRS employees wrote in the remaining comments.

The summarized comments are reported as they relate to a specific office. The full comments are attached. The author's names have been removed from their comment.

If you have any questions about these comments, please contact the Office of Organizational Performance Management at (202) 622-4909.

Attachment

## **Thank You For Your Feedback on the IRS Balanced Measurement System Seven Sets of Recommended Balanced Measures**

*(Appeals, Collection, Customer Service, Examination, Large and Mid-Size Business, Taxpayer Advocate Service, Tax Exempt/Government Entities)*

In January 2000, the IRS released seven sets of IRS Balanced Measures for public comment (Appeals, Collection, Customer Service, Examination, Large and Mid-Size Business, Taxpayer Advocate Service, Tax Exempt/Government Entities). The comments received have been instrumental in improving organizational performance at the IRS. Questions/comments were either answered directly by IRS Organizational Performance staff and/or forwarded to the particular IRS office for consideration in improvements of the IRS Balanced Measurement System.

[Balanced.measures@IRS.gov](mailto:Balanced.measures@IRS.gov) received four comments from the general public outside of the IRS. IRS employees wrote in the remaining comments.

The summarized comments are reported as they relate to a specific office. The full comments are attached. The author's names have been removed from their comment.

If you have any questions about these comments, please contact the Office of Organizational Performance Management at (202) 622-4909.

### **Summary of Comments From General Public – Non-IRS Employees:**

- To solve the problem of getting bad advice from the IRS, taxpayer suggests answering questions via e-mail so the taxpayer would have proof of the advice IRS gave.
- If you have to complete a paper form anyway, then why not be able to indicate on that form the type of assistance you needed, where you went for the assistance, and whether or not the assistance was helpful. It would be convenient for me, I'm sure for others, and the IRS would not incur additional expenses sending out surveys.
- To improve customer service, have IRS team with Turbo Tax, HR Block etc and "push the citizen's own tax information to them at tax time."
- Taxpayer Feels Balanced Measures Good Idea but Questions Certain Aspects of the System Feeling that taxpayers can leave out miscellaneous income on their returns without fear of reprisal from the IRS. Balanced Measures have changed attitudes towards customer service but they also have contributed towards a reduction in production.

### **Summary of Comments from IRS Employees**

#### **Relating to Strategic Human Resources:**

- More technical training needed
- Offices need training dealing with hearing impaired taxpayers and federal employees
- IRS employee concern about Performance Award System
- Instructors sends comments about IRS Balanced Measurement System: Customer Satisfaction Strategies (Course 8530)
- Manager and employees have difficulty with canceled IRS training classes

### **Relating to Employee Satisfaction:**

- IRS employee asks for rewriting Employee Satisfaction survey question about training
- Employee sees involvement in setting standards critical to success of balanced measures
- IRS employee suggests modifications to IRS mission statement to include all components of balanced measures – views “employee satisfaction” missing from IRS Mission Statement
- IRS employee asks for more information on employee satisfaction
- IRS employee questions “satisfied employees lead to satisfied customer”
- IRS employee see positive strides in customer and employee satisfaction measures; business results lacking
- IRS employee interested in reaching hearing impaired taxpayers and employees
- IRS employee voices concern about access to 911 at service center
- IRS employee concerned about lack of balanced measures specifically too much emphasis on business results
- IRS employee concerned about Performance Award System
- IRS employee asks for clarification on term “equal” in the balanced measurement system
- IRS employee questions the implementation of the balanced measures concepts
- IRS front line manager concerned about customer service call site methods
- IRS customer service manager – employees need more technical training

### **Relating to Customer Satisfaction:**

- Survey broad base of customers not just transactional customers and use follow-up survey for Problem Solving Days
- IRS employee suggests modifications to IRS mission statement to include all components of balanced measures – views “employee satisfaction” missing from IRS Mission Statement
- Questions “satisfied employee leads to satisfied customer”
- Positive strides in customer and employee satisfaction measures
- Interested in reaching hearing impaired taxpayers and employees
- Concerned “we are only trying to make those who don’t file happy” and “need to look to the compliant taxpayer” for fair treatment
- Concerned about lack of balanced among balanced measures specifically too much emphasis on business results
- IRS front-line manager concerned about Customer Service Call Site methods

### **Relating to Large and Mid-Size Business (LMSB)**

- Specific concerns about quantity-oriented business results using number of cases handled or closed.
- Alternative Dispute of Resolution quantity measure should be listed as a qualitative measure.
- Concern about developing a quality Abusive Corporate Tax Shelter Case in the time allotted
- Concern that LMSB business result measures “appears to completely eliminate any concern for taxes.”
- Unclear about how balanced measures relate to LMBS revenue agents
- Examination: Need reason for 6 and 9 months distinction for overage cases
- LSMB: Number of months from file date to closure--this should be a timeliness index based on a standard time to obtain a closure or an index from the previous period. The number of months is misleading.
- IRS employee questions how to apply IRS Balanced Measures principles to International

### **Relating to Small Business and Self-Employed (SBSE)**

- Suggests measures for Trust Fund Employment Tax System
- IRS Researcher Questions Specific Balanced Measures
- Group manager Questions Effectiveness of Counting TDA's and TDI's
- Comments on Overage Measure From Delinquent Inventory Task Force
- Concern with Overage In Service Center Examination and Office Examination
- Concern about “Gaming the System”
- Collection Manager voices concern about Using Balanced Measures

- Concerned With Receiving Adequate Direction and Training Relative To All Three Components Of Balanced Measures
- IRS Employee Interested in Reaching Hearing Impaired Taxpayers and Employees
- IRS Employee Concerned Measures Off-Point for OIC

### **Relating to Taxpayer Advocate Service**

- IRS Employee asks about definition of "outreach effectiveness/results"

### **Full Comments**

#### **From General Public – Non-IRS Employees**

#### **Taxpayer Suggests IRS send Taxpayers Partly-Completed Returns for Taxpayers to Finish**

Could you please take a suggestion on how to improve IRS customer service?

Have the IRS (and its support contractors) team with TurboTax, HR Block, etc to push the citizen's own tax information to them at tax time.

Since the IRS already knows just about everything (W2s, 1099s) about people's income transactions, the IRS/TurboTax partnership could send out a file (if requested) containing all of the 1099's, W2's, etc. that the IRS had received. Then TurboTax could import it and I would be all done! If I itemized, all I would have to do would be to add charitable deductions and a few other odds & ends.

That would make it a lot easier than worrying about whether I lost some 1099 form, which didn't make it onto my return.

I'd even pay for that service and I think millions of others would too. It would also engender trust since citizens would then know what financial information their own government collects about them.

#### **Include Customer Assistance Questionnaire in Tax Package**

Set of Balanced Measures Currently Available for Comment - Customer Service Area

I would like to see the tax forms include a section on whether or not you sought assistance when completing the form. If you have to complete a paper form anyway, then why not be able to indicate on that form the type of assistance you needed, where you went for the assistance, and whether or not the assistance was helpful. It would be convenient for me, I'm sure for others, and the IRS would not incur additional expenses sending out surveys. You could even expand your telephonic and electronic methods of filing to include the customer assistance 'questionnaire.'

#### **Taxpayer Would Like Questions Answered by E-mail For Proof**

My problem with the IRS is that I often get bad advice. There is nothing I can do about getting bad advice because I can't prove I received it. This is not good. E-mail is so common today that it is an easy method for an IRS agent to use. I would like to see questions answered by e-mail when requested by the taxpayer. Receipt of the e-mail that included the question being answered would be proof of an answer by the IRS. The IRS agents could have the electronic policies and standard answers to copy that should reduce the time to answer.

## **Taxpayer Feels Balanced Measures Good Idea but Questions Certain Aspects of the System**

Ladies and Gentlemen:

I am preparing this letter in response to your request for comments on Balanced Measures. I am a taxpayer and felt compelled to comment on this new approach by the Internal Revenue Service (I.R.S.).

First of all I have prepared a few returns this year and the common feeling among taxpayers is that they can leave out miscellaneous income on their returns without fear of reprisal from the Internal Revenue Service (I.R.S.). This is due to numerous articles being published indicating that the I.R.S. is not enforcing the tax laws either through Auditing or Collection. The taxpaying public now has the mindset that they can fail to file or cheat without the I.R.S. ever addressing the situation. If they do get caught they feel that their debt will be forgiven or reduced. This attitude is in part due to initiation of the Balanced Measure approach.

The Balanced Measures is a good idea but the procedures on implementation by the Internal Revenue Service are not an accurate way of measuring results. This new concept appears to downplay the third aspect, Business Results. I have noted that the most important part for success in a business, "business results", is the last unit in this approach. Most businesses have a strong desire to make a profit and they measure results along with having expectations for employees. It is my understanding that the I.R.S. does not communicate statistical goals and does not measure results. Most employees of a business want to know expectations and they use those expectations to work towards a goal. If an employee does not have goals or knows how well the organization is producing at any time, what incentive do they have to do a good job? That is partly the reason why the I.R.S. has decreased in almost every measurable statistic and it will most likely continue to decrease.

Employee satisfaction is a key to success in a **business but the I.R.S.** does not **fairly** represent all employees. Therefore you will not have total employee satisfaction. One hindrance in employee satisfaction is that the organization allows their union, N.T.E.U., to dictate policy. The National office deals with the union at the national level but the local chapters are not held accountable. The local chapters often do not agree with the policy established at the national level and multiple negotiations at the local level often conflicts with previously established policy. The other factor in this case is that the non-union employees are not represented or allowed to participate in special projects in the organization. This could be over 50% of the employees in the field ranks. N.T.E.U. selects and dictates assignments, which do not fairly represent the working sector of the organization. The non-union employees are not selected for details and assignments. You can not achieve employee satisfaction from those employees. The second point is that employee satisfaction is measured by survey results. The employee survey is not mandatory and the results could be skewed by the number of participants.

Customer satisfaction has greatly improved. The Service has made an all out effort to provide better service to their customers. The employees have taken ownership of problems and make every effort to resolve problems. I do not think that the internal customer aspect has reached that same level. The I.R.S. has elected to assign numerous field personnel to provide customer service. I am not sure if it is good business sense for higher graded employees to be assigned to customer service to prepare Earned Income Credit (E.I.C.) returns when one million dollar cases are not being collected or audited. This increases customer service but decreases accounts receivable. This is not an efficient manner of utilizing resources in order to obtain the largest dollar for the organization. The last observation I would like to present is the method by which the Internal Revenue Service measures customer service and all of the balanced measures. It appears that the total emphasis is placed on surveys and I feel that they are drastically skewed. For example I do not think that you will ever get a favorable result on a survey in the Collection Division after you attach a taxpayer's paycheck or seize their automobile. The demeanor of the employee could be measured but the action will leave a negative attitude towards the Service. The method of measuring the organization by survey often will give false results. For example recently I noticed that less than 30% of the taxpayers responded to a survey. Therefore the other 70% could indicate a total different picture of the results. This does not appear to be a fair sampling for accurate results. The other problem in this area is that it is human nature to complete surveys only when they are dissatisfied. For example the majority of the time that a comment card at a restaurant is completed is only when the customer is dissatisfied. This serves a twofold purpose. One they get to complain about bad service and they are in hopes of obtaining a free meal. It is rare that a comment card will be completed when the service is what was expected or considered excellent. These surveys are not a fair sampling and often display negative views which are not accurate views of the majority of the taxpaying public. Therefore the Internal Revenue Service could draft a system to accurately measure business results. Surveys to customers who receive adverse actions will not give favorable comments.

### **Comments From IRS Employees**

#### **Comments Relating to Strategic HR**

The Balanced Measures have changed attitudes towards customer service but they also have contributed towards a reduction in production. Management needs to make business decisions without consulting a third party, i.e. N.T.E.U. They have different agendas. The organization needs to look at itself as wanting to make a profit. This results in making sound business decisions and providing customer service. The customer service approach has to be balanced with the other goals of the organization.

I appreciate this opportunity to express my views of the organization and the Balanced Measures. As a taxpayer I am willing to pay my fair share and I expect the Internal Revenue Service to make every effort to ensure that my neighbors and fellow citizens are paying their fair share. Under the current tax system, voluntary compliance is a necessity and an entity has to exist to enforce and ensure compliance.

## **More Technical Training Needed**

Locally, we keep requesting more technical training. We keep getting more hours in the classroom, nearly all devoted to administrative training. We actually feel that we are getting less technical training than in the past, and much of what we are getting is a quick overview of tax law changes, not in-depth training including specific procedures or even a good general review of what we should already know but may need to review.

## **Offices Need Training Dealing with Hearing Impaired taxpayers and federal employees**

What about Sign Language Interpreters, related Laws Education & other types or Telecommunication/FCC/Rehabilitation Act of 1973/ADA/Elevators Bldg. Improvements related for the Hearing-Impaired Taxpayers & Federal Employees? In reference all or some offices around the country, there is still problems with this sensitive issue. FYI: not all managers with all offices have training in dealing with this especially Customer Service Department.

To solve this/Possible Suggestion: Additional Training & other for all managers & Hearing-Impaired Employees new and old annual yearly to go:  
(For Ex: CPE Scenario types of situation)

- (1) Gallaudet University @ Washington D.C.
- (2) National Training Conference on Employment of Federal Employees who are deaf or hard of hearing @ Bethesda, MD

\*\* This meeting is coming up on March 7-9, 2000

Phone Contact: Robert Dwier/Chairperson, TDD#703-648-6017

Email Contact: rdwier@usgs.gov

- (3) Full Coverage Travel Fund Resources Availability
- (4) IRS Headquarter Office @ Washington D.C.
- (5) Veto new future Law regarding Email cost

## **Questioning the Rewards/Rating System**

Per Document 11164 (12-1999) Catalog 28715W it states the following Under Performance Award for "Outstanding"

***Given strong consideration for performance award but it is not mandatory;....***

Thus a person who received an "Exceeds" rating in the same organization can get an award, and a person who received an "Outstanding" can **not** receive an award."

A rewards/rating system should never allow this to happen.

## **Instructor Comments on IRS Balanced Measurement System : Customer Satisfaction Survey (Course 8530)**

The balanced measures for customer service is a wonderful change that you have planned especially in the customer service area. Unfortunately I know first hand how it is not going to work. I teach these Modernization goals to employees and have already trained over 100 IRS employees. I am a front line manager and the classes have been going extremely well with exceptional feedback from the employees. The problem arises that I now feel that every time I teach the class I am lying to the employees about how the service is going to improve.

The employees are buying in to, and supporting the strategic goals and elements to the balanced measurement system. A lot of front line managers have also. The problem is not at these levels. Branch, Section and Division chiefs having been at the IRS for so long do not back -up, believe in, or support the balanced measurement system. I know that the front line managers course that I attended (after attending the train the trainer for 8530C for employees) was a huge disappointment. The class was opened with the comment "just like TQM this isn't going to work either". Also in the portion where you acknowledge barriers to doing our jobs, we had many, many barriers and suggestions for improvement. Unfortunately NONE of them were documented. So again we felt as if we had no voice.

After training so many employees (and I have at least another 60 to go) I have really taken their issues to heart. I understand where they are coming from, they have some excellent ideas for improvement, and it has really brought me a lot closer to the concept of employee satisfaction. Unfortunately again in bringing some of these concerns and ideas to my section or branch I was met with the attitude of "These employees don't understand how good they have it" or they didn't want to know. We have a floor of about 200 employees and the morale and employee satisfaction is extremely low.

I know how this may sound coming from one person but I am not a disgruntled employee. I care. Unfortunately it is becoming very difficult for me because of how much I care about improving the organization, mentoring and coaching my employees. I believe in fair and ethical judgement in decision making. I had to get this off my chest somewhere because of course there is the fear of reprisal. I am a seasonal/ Temp manager and was just offered the position back. This was the only job that I put in for and knew I was doing a good job. Unfortunately I don't know if I want it because of how much pressure it is putting on me. Comments from my fellow managers is " All of us old-timers have gone through this at one time or another and you just have to let it go" " There will never be ethics and they are not going to change" also "There is nothing you can do to change it". I believe that I can make a difference but even the simple task of making suggestions, coming up with new ideas, or even brainstorming with fellow managers is not met well. Our branch chief states that they want us to work as a team, but every time we try this process it is a one person veto. This person has made it clear that anyone who simply disagrees with them are not liked. I understand that everyone are not always going to agree. But dealing with this level it's "keep your mouth shut". Why are we discussing all things with our branch instead of sections? Because our sections are in the same

boat. All decisions are made by this one person who has never had any experience in customer service.

Decisions are made such as " If your lead is not trained on working paper just have them do the review and they'll figure it out". Coming from the job I know that this is ludicrous and have stated the downfalls. But of course was unheard.

Thanks for at least giving me some sort of outlet

## **Managers and Employees Dealing with Canceled Classes**

I am a Customer Service Manager in Seattle. I have been with the Service for 25 years. I was initially excited about the way the organization is headed. I had a lot of hope in what Commissioner Rossotti was saying about the building of a new organization. I have been around long enough to know it will take some time and hard work. I have a couple of comments and a couple of questions. I'm sure I will get the same old rhetoric about this being a work in process.

Why do we spend so much time on trying to get managers and employees involved with understanding Balanced Measures when the focus is only on one measure? The focus is entirely about Business Results. Since October 1999 we have put forth a lot of time and resources getting ourselves and our employees to understand the concept of Balanced Measures. How can we expect managers and employees to get behind the numbers if they don't have enough training to do the job.

I was fairly good with all of the process, but this week I have had to tell employees that the training we have been trying to provide them for the past two years is once again canceled. This happened not once, but four times. We spent so much of November, December and now January delivering mandatory training that there has been little or no training about the actual job. I have had the same group of employees for a little over two years so I am well aware of what they have not had. The newest group of employees that were hired in Seattle now have a training level that exceeds my employees. I have been told we need my group on the phones until we get new employees trained. The morale here is very low. I know I could take this up with my local training coordinators, but previous attempts result in promises that are never fulfilled. The reason is that our training dollars are not earmarked for any kind of skill gap training. The quality/training function and the phone site in Seattle are a joke. I know we have numbers to meet. I know we have quality issues that need to be dealt with, especially in Seattle. I think our training is so bad that there is no way it can result in good quality. I refuse to instruct in Seattle because we use chopped up material. Most instructors here believe that the National Office developed material is so full of errors that there is no point in using it.

I probably sound like I'm venting a bit, but today when yet another training class was canceled for some of my employees I felt compelled to send a message to someone. My employees were not the only ones impacted, but they are the only ones I can look out for. Thank you for your time.

Customer Service Manager Seattle Call Site

## **Comments Relating to Employee Satisfaction**

### **Employee Satisfaction Survey Questions on Training Needs Refining**

The survey measuring Employee Satisfaction still needs some fine-tuning.

Some questions ask if one has too little or enough of something (for example, unit meetings or close supervision by one's manager) but don't allow for the possibility that one might have too much of those things.

The questions about training need to specify technical training (for example, how to set up an installment agreement) or administrative training (for example, introduction to balanced measures).

Locally, we keep requesting more technical training. We keep getting more hours in the classroom, nearly all devoted to administrative training. We actually feel that we are getting less technical training than in the past, and much of what we are getting is a quick overview of tax law changes, not in-depth training including specific procedures or even a good general review of what we should already know but may need to review.

### **Employee Involvement In Setting Standards Critical To Success of Balanced Measures**

#### **FROM:**

INTERNAL REVENUE SERVICE

**HOUSTON, TX 8876 GULF FREEWAY 77017**

**STOP 4509HSE**

#### **TO:**

**OFFICE of ORGANIZATIONAL PERFORMANCE MANAGMENT**

**RM 1136, WASHINGTON, D.C. 20224**

**ATTN: C: DO: OPME**

### **EMPLOYEE INVOLVEMENT IN SETTING STANDARDS CRITICAL TO SUCCESS OF BALANCED MEASURES**

This is my response to the recent request from the Internal Revenue Service's, Office of Organizational Performance Management for comments on the new Balanced Measures System.

Each position in the Internal Revenue Service has critical elements related to it. Critical elements are those job activities that are critical to the success of each position. Job standards are related to critical elements, they indicate the level of accomplishment for each critical element (meet, exceed, outstanding ect.)<sup>1</sup>. Each critical element can also be weighted based on changing goals of the organization. These performance elements allow a large organization such as the Internal Revenue Service to be more adaptable to the changing environment.

If the Internal Revenue Service's Balanced Measures System is to be successful, front-line employees and managers must collectively be involved annually in establishing and approving their own standards.<sup>2</sup>

---

<sup>1</sup> NORDV Article 12, Section 3 and 5 CFR 430.204(d)(1)

<sup>2</sup>“Legislating Bureaucratic Change, The Civil Service Reform Act of 1978” edited by Patricia W. Ingrahm & Carolyn Barr p.105, comments by Karen & Gregory Gaertner

The current Balanced Measures adds specific qualitative elements (Employee, Customer Satisfaction and Business Results) which build on the Civil Service Reform Act of 1978, the largest organizational performance management initiative in the history of the Federal Government. Two consultants made assessments of the progress of implementation of the Civil Service Reform of 1978's from 1980 to 1981. They discovered the key thing missing was lack of employee's involvement in the standard setting process. Yet, more than twenty years later we again may be excluding the one fundamental element which will help to ensure the successful implementation of the Internal Revenue Service's Performance Management System.<sup>1</sup> To do otherwise could risk the substantial investment of taxpayer dollars allotted to Modernization.<sup>2</sup>

Consultants Karen & Gregory Gaertner were commissioned by Office of Personnel Management to assess the affects of CSRA from 1980-1982 on several government agencies.<sup>3</sup> They noted that employees who participated in their standards were more motivated to use their standards constructively. Collaboration in the standards setting process provides the organization a more accurate basis on which to appraise in the next year. It also creates a more satisfying appraisal process. Employees will be more accepting of the new Balanced Measures System, if the standard setting process values their input. Another benefit of employee involvement is that it helps employees plan their work. Standards can be used as a guide for work planning and work accomplishment can prove very valuable to their involvement in the strategic management process as well.

Commissioner of the Internal Revenue Service, Charles Rossoitti stated recently in testimony before The Congress that the success of Modernization was dependent upon the employees in the Internal Revenue Service. Implementing policy which allows employee participation in setting and approving their own performance standard will substantially reduces or eliminate perennial employee dissatisfaction with the appraisal process as expressed in **Employee Satisfaction Survey** and increase the fairness of the Performance Appraisal System.<sup>4</sup> Best practices show that the most successful Performance Systems in both private industry and the government possess, as a key element of success, employee's involvement in developing their own standards.<sup>5</sup> There has also been extensive government analysis that makes a direct co-relation between employee involvement in standard setting and the success of the performance management system.<sup>6</sup>

---

<sup>1</sup> Compliance with GPRA prohibits duplication of the same process if it was ineffective in the past.

<sup>2</sup> GAO/T-GGD/AIMD-99-255 p.4... I. R. S. can help avoid the danger of its reforms becoming hollow, paper-filled exercises. 2000 Modernization Budget \$600+mill.

<sup>3</sup> Organizational Assessments of The Effects of Civil Service Reform, OPM-23-80,p. Ch7,vi, Suggest that standards written collaboratively leads to more positive attitudes... also see footnote 1.

<sup>4</sup> See Internal Revenue Service Employee Satisfaction Survey 1998 & 1999

<sup>5</sup> "Measuring White Collar Work", American Productivity & Quality Center.

<sup>6</sup> Office of Personnel Management, Federal Register July 14, 1983

The Commissioner of the Internal Revenue Service, Charles Rossatti also stated one of the key goals of a flatter organization would be more frontline involvement in the strategic planning process through their participation on National Office teams. Frontline employee training and participation in the standard setting process would broaden the Commissioner's goal from select National Office teams to all groups nationwide, creating greater organizational flexibility. Training will assist employees in evaluating their strategic goals and how their day-to-day work moves the organization toward those goals at the local level.<sup>1</sup>

Corporate Education could develop a training system to involving frontline managers and employees collectively planning standards at the annual CPE's, as well as reviewing prior year standards and performance results. Both managers and employees, with the assistance of Organizational Consultants could work to get behind the numbers annually. An effective tool for developing employee performance measures is Nominal Group Technique<sup>2</sup>. All parties would benefit with the expansion of their collective perspectives on problems, solutions and insights, along with the added benefit of employee buy-in. These activities would substantially improve the quality of the problem analysis aspect of Balanced Measures<sup>3</sup>. The Office of Personnel Management also has courses on Performance Management and standard setting.

Implementing this process of employee involvement in standard setting would ensure a "fair and equitable"<sup>4</sup> treatment of taxpayers. In addition employees would be more motivated and customers more satisfied. **The desired result would be achieved, improved and balanced Customer Satisfaction, Employee Satisfaction and Business Results, achieving "THE BALANCED MEASURES" we desire**

---

<sup>1</sup> GAO/GGD-83-72 Sept15, 1983 Appendix III p.7 "...OPM should require...employee participation in the development of standards...making a requirement that there be direct supervisor-employee communication during the standards setting process is an excellent idea." Also see 'measuring White Collar Work', American Productivity & Quality Center. GAO/T-GGD/AIMD-99-225 p.4 ...Managing for performance poses significant human capital challenges. New business processes,org struct,& tech alone or together will not significantly improve service to taxpayers without co-corresponding improvements in how I.R.S. manages its human capital.

<sup>2</sup> "Measuring White Collar Work", American Productivity & Quality Center, Appendix

<sup>3</sup> See IRM 105.4 (2.15.2&3)

## **IRS Employee Suggests Modifications to IRS Mission Statement to Include All components of Balanced Measures**

I appreciate this opportunity to provide our organization feedback.

After reviewing the IRS Balanced Measurement System Comment page, I would like to provide comments concerning the Balanced Measurement System as related to the Mission Statement.

**I noted the following information in the Background section in the IRS Balanced Measurement System Comment page:**

Background

The IRS Balanced Measurement System developed as part of the effort to modernize the IRS and to reflect the Service's priorities, as articulated in the IRS mission. This new approach to measurement is intended to help shift the focus of individuals and the organization away from achieving a specific target or number to achieving the overall mission and strategic goals of the IRS.

To help ensure balance, each of the three components of balanced measures - customer satisfaction, employee satisfaction, and business results - will be carefully considered by the IRS when setting organizational objectives, establishing goals, assessing progress and results, and evaluating individual performance.

**I reviewed the mission statement below to ascertain how all of the components of the Balanced Measurement System are clearly articulated in the mission statement:**

The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

**My commentary**

**It appears that the business results component of the Balanced Measurement System is present in the Mission Statement** (i.e. tax responsibilities, applying the tax law with integrity and fairness to all).

**It also appears that the customer service component is present as it relates to the business component** (i.e. understand and meet tax responsibilities, applying the tax law with integrity and fairness to all).

**It does not appear that the employee satisfaction component is present in the mission statement.**

**I would like to suggest that as the balanced measurement system is "to reflect the services priorities", we modify the Mission Statement to clearly reflect all components our balance measurement system.**

Thank you for your time and consideration. I look forward to your comments.

## **IRS Employee Asks for More Information on Employee Satisfaction**

I work at the Nashville Toll-Free Call Site. I read about specific balanced measures being available in New Directions in early February and asked, through supervisory channels, for a hard copy to review. I have yet to receive anything through my place of employment. CSRs do not have access to either the internet or intranet at our site. It seems if you were serious about obtaining meaningful comments on these Specific Balanced Measures, you would provide us an opportunity to review them through official channels. Instead, we must access them, if we have the capability, from our home or local library. I understand the desire to limit use of paper when possible, but all I asked for was one copy to circulate to our Team of 16. I know you are counting on me to meet Quality & Timeliness goals, Level of Service, and Adherence to Scheduled Hours goals, and affect Customer Satisfaction Survey Scores. Can you provide some "meat" with the "bones" you throw toward Employee Satisfaction, please?

## **IRS Employee Questions “ Satisfied Employees lead to Satisfied Customers”**

### **RE-CONCEPTUALIZING BALANCED MEASURES**

My hope for a quality work environment stems from Commissioner Rossotti's statement that “satisfied employees lead to satisfied customers.” The one causes the other. Yet based upon my indoctrination to the “Balanced Measures” concept in C.P.E., I learned that satisfied employees are “not a required pre-condition for customer satisfaction,” or that Mr. Rossotti had even made such remarks. Why? Because such remarks connote that the “three-legged stool” model for balanced measures is incorrect when confronting the theoretical implications of such a statement. So my question is this: Does the IRS need to re-conceptualize balanced measures to incorporate the implications, or, should we remove the slogan so that employees are not misled into thinking that employee satisfaction is of primary importance?

Balanced measures is conceptualized as three separate organizational phenomena whose success is measured via quantitative (mostly) and qualitative information gathering methods. It has not been made clear how balance is measured (the matrix?). The assumption is that balance is achieved if all three measures rate equal or similar satisfaction scores. Distinct and unified satisfaction is the goal.

The causal relationship between customer satisfaction and employee satisfaction is openly acknowledged in presentation yet schematically ignored. This demands some important questions? How is this relationship accounted for when measuring for balance? Why is it important to account for this relationship of causality? Is it sufficient to say that “the measures are equally significant,” or is this monocular, unidimensional interpretation of the relationship of measures opposed to the broader intent of Mr. Rossotti's thematic statement?

First of all, what does it mean that “employee satisfaction leads to customer satisfaction?” This is a remarkable statement made by the Commissioner. Its meaning is contrary to conventional organizational design. This statement subordinates the mechanical and economizing criterion which normally prescribe desired business outcomes. The statement elevates “human needs” of employees and customers, and considers good business results a “natural and incidental consequence of satisfied employees.” Does this statement support the “three-legged stool” model? Are the three measures separate, equal, and independent entities that contain results realized by events which occur within their own functional domain? No. I think Mr. Rossotti's premise suggest a linear model of cause/effect linkages that are actually leverage points. The theoretical first cause is employee satisfaction.

When personal, human needs for respect, fairness, loyalty, honesty, courtesy, etc., are satisfied, then employees will readily dispense or reproduce that same sentiment or behavior in other human contacts, or with customers. This is the theoretical premise upon which Mr. Rossotti's statement rests. However, this wonderful human dynamic is subsumed because of its conceptual position in “Balanced Measures.” There is a mismatch between the current model and aforementioned theory. Why has this happened?

The causal, interdependent relationship between employee satisfaction and customer satisfaction is not regarded when evaluating the three measures (three-legged stool). The one will NEVER be the reason, cause, or blame for the other's results. We pre-suppose that their outcomes are produced by independent forces (that is, how we measure it). This is untrue. The compartmentalization of the measures represses the causal dynamic that generates satisfaction for employees and customers while also providing good business results.

By measuring as equals, and separately, and ignoring the interdependence, it is impossible to establish “human needs” of employees/customers as the normative, archetypal standard as implied by Mr. Rossotti's statement. It is co-mingled with other objectives such as collecting the proper amount of tax, upstream education, accuracy, etc. Here, we have three measure-factions vying for primacy with human-associated needs reduced to a competing component. That is the status quo. The current balanced measure model cannot be integrally linked to Mr. Rossotti's statement. The model must be altered to incorporate it.

A new epistemological affirmation is required in order to structure an organization upon “human satisfaction.” The pronouncement must then be institutionalized. By epistemology I point to the principles of knowledge which inform our “worldview” as an organization. For instance, what are our “assumptions about the world we live in” or what are our “assumptions about human nature at large.” These could appear to be frightening questions for organization analysts, yet they are questions which have been quietly answered on numerous occasions by the IRS throughout its brief history.

Depending upon the era or administrative regime, a new or reshaped set of values has always defined organizational policy and bureaucratic behavior. Currently, the IRS culture has taught me that human to human contacts are driven by fear and mistrust, even suspicion, and require an association with coercion and repercussive punishment in order to produce desired results. The epistemological foundation of these practices or behaviors is Pavlovian, highly negative and promotes a pessimistic outlook of co-workers and the American citizenry. We learn and internalize the belief that people are not capable of goodness within the walls of our own cognitive system – the work environment. This culture mediates internal professional relationships as well as external public communication. Given the nature of tax collecting in relation to the “natural rights of proprietorship,” perhaps this element of IRS culture is justified. However, I argue that this element needs to be delimited and curtailed merely as an instrument of expediency. It should not become the normative paradigm. What should the modernized IRS paradigm represent?

If we examine the “Ten core Ethical Principles,” we discern that the epistemological implications reveal that people are capable of compassion, integrity, self-motivation, judiciousness, and kindness. Yet this optimistic view of people has never been institutionalized within the inward framework of our organization. These principles mirror the connotations of Mr. Rossotti’s statement. For if all members of the organization fervently practiced these values, wouldn’t employees become more satisfied? Wouldn’t customers receive greater service? Only time will tell if Mr. Rossotti’s statement regresses into “slogan” status, denobled by its lack of impact upon our daily professional lives, similar to the core principles.

I admire the efforts of the organizational craftsman behind “Balanced Measures.” However, the multiplicity of discordant values coupled with independent measurement schemes is problematic (as I have already referred). There needs to be a centralized measurement process that is strictly aligned with values vital to “human satisfaction.” These standards must become the pseudo-constitutional principles by which all administrative activity and decisions are filtered. The filtering process must become second nature.

A new epistemological statement needs to be pronounced and propagated throughout the IRS. This new statement should boldly confirm that there are positive human values that are universally accepted by all persons. The announcement must be simple and direct. The members of the IRS organization must become convinced that protecting these values is a top priority. These core values would create a new metaphor for “Balanced Measures.” The three-legged stool could turn into a singular pillar with satisfied persons standing atop of it, representing both employees and the American public. The IRS causal aphorism would remain the same, that “satisfied employees lead to satisfied customers.”

### Suggestions Abstract for Balanced Measures

Currently there are two “out of the box” ideas I would like to pass on that would increase employee satisfaction. These two ideas relate to the employee satisfaction survey.

Employee satisfaction would improve if the IRS could implement a communication mechanism that provides personal representation. These representatives could inform employees of the ongoing status of their suggestions and feedback. The process of submitting improvement ideas while waiting for results is too impersonal, invisible, and disempowering. We do not feel like we are “levers of change” for employee satisfaction. Our position is similar to customers whose cases end up in the Taxpayer Advocate office. In short, we need better follow-up, and more direct personalized contact with the process that creates change.

Employee satisfaction would increase if the theoretical model of “Balanced Measures” was actively

practiced. A fundamental characteristic of the model is equality amongst the three measures. The rigorous measurement activity that underpins the analysis of business results is not a feature of employee satisfaction schemes. This organizational behavior undermines the vision of balanced measures. To improve upon this disparity these are the suggestions.

We need to monitor systemic facets that impact employee satisfaction with increased scrutiny and frequency. For instance, in conjunction with phone monitoring (which promotes customer satisfaction and business results), it would be equitable and useful to evaluate managerial decisions and organizational practices JUST AS OFTEN. These new measures would gauge administrative behaviors and activities which positively and negatively impact employees. Why should employees be given annual, infrequent opportunities to influence a quality work environment? The measure of an annual survey is highly insufficient when considered against the countless measures utilized by the objectives stemming from business needs (accuracy statistics, phone reports, availability, unpostables, etc.). Balanced Measures does not denote such inequality.

In addition, it is apparent that administrative leadership positions (e.g. management) are filled by individuals whose professional strengths are based in technical proficiency. For most employees, these technical abilities are overshadowed by communication deficiencies. In fact, the communication occasionally proffered by management should no longer be called communication in the humanized sense. Perhaps it can be described as monolithic symbolic representation; where the administrative official is no longer guided by principles of respect, courtesy, and honesty, but is transformed into an impersonal extension of the "numbers" producing apparatus. The process of "leading" employees or teams is dehumanized. I believe that communication problems are such a serious issue that it should be pathologized like racism and gender issues, and treated via new education and training. The new organizational virus could be called dehumanism: not respecting people on the basis of possessing authority or power, or fear of losing that authority or power.

In closing, since business results is no longer an exclusive determinant within balanced measures, why should management personnel be selected primarily upon technical expertise? Shouldn't the criterion be weighed heavily toward human-people skills, or at least balanced between the two?

### **IRS Employee voices concern about Access to 911**

The residents of the communities surrounding ANSC have the ability to obtain an immediate 911 response in case of a medical emergency. This option is not available to employees of the service center. In the event of a medical emergency there are in house extensions to call at a time when the difference between life and death may be measured in seconds of response time. It is possible for ANSC employees to have the same access to expert medical care as any other resident in the community and they should have it

A view from the bottom.

### **IRS Employee Concerned About Lack of Balance Among Balanced Measures Specifically Too Much Emphasis on Business Results**

I think it's great that we have an opportunity to comment on the measures.

I can't comment on the content of the business results measures for the various organizations, however, I'm concerned about the customer satisfaction and employee satisfaction measures, and about the apparent lack of balance among the measures. When I look at these sets of measures, and see three - to six specific business results measures, but only one (or in one case two) general customer satisfaction measures and a general reference to the employee satisfaction survey, it certainly appears that the scale is still tilted toward business results. It also appears that we still don't see a connection between customer satisfaction and business results. If there's more to the customer satisfaction and employee satisfaction measures than shows in the Pub., I'd appreciate having it made obvious. I know you and

everyone else has been working very hard on these. I congratulate you on getting down to a critical few. But the message I'm getting from the Pub. is that we're not walking the talk. I just don't see true balance here.

### **IRS Employee Asks for Clarification of "Equal"**

I note that the Modernizing IRS Web Page invites comments about the proposed Balanced Measures process.

I have acquired and read some available literature on this subject and have an issue that I haven't been able to resolve with how the Service is structuring its organizational performance measurement process. Specifically, we are developing measures for three attributes: customer satisfaction, employee satisfaction and business results. All of the materials that I've gotten from IRS suggests that each of these measures will be 'equal' in evaluating organizational effectiveness. I have not yet heard anyone in IRS who has been able to describe what the term 'equal' really means.

To me, equal means that there is an underlying process that quantifies each measure according to the same scale and adds them to arrive at an overall office score. However, because of our previous history with quantitative goals, there seems to be a high level of resistance within the Service to any process that employs a mathematical component in a new system. Consequently, it appears that there is a void between the stated goal of having 'balanced' measures and the methodology for achieving that goal.

I believe that this is an issue which requires some forethought and uniformity throughout the Agency. Lacking such uniformity could lead to inconsistent conclusions about how individual functional components are really performing

### **IRS Employee Questions the Implementation of Balanced Measures**

The balanced measures for customer service is a wonderful change that you have planned especially in the customer service area. Unfortunately I know first hand how it is not going to work. I teach these modernization goals to employees and have already trained over 100 IRS employees. I am a front line manager and the classes have been going extremely well with exceptional feedback from the employees. The problem arises that I now feel that every time I teach the class I am lying to the employees about how the service is going to improve.

The employees are buying in to, and supporting the strategic goals and elements to the balanced measurement system. A lot of front line managers have also. The problem is not at these levels. Branch, Section and Division chiefs having been at the IRS for so long do not back -up, believe in, or support the balanced measurement system. I know that the front line managers course that I attended (after attending the train the trainer for 8530C for employees) was a huge disappointment. The class was opened with the comment "just like TQM this isn't going to work either". Also in the portion where you acknowledge barriers to doing our jobs, we had many many barriers and suggestions for improvement. Unfortunately NONE of them were documented. So again we felt as if we had no voice.

After training so many employees (and I have at least another 60 to go) I have really taken their issues to heart. I understand where they are coming from, they have some excellent ideas for improvement, and it has really brought me a lot closer to the concept of employee satisfaction. Unfortunately again in bringing some of these concerns and ideas to my section or branch I was met with the attitude of "These employees don't understand how good they have it" or they didn't want to know. We have a floor of about 200 employees and the morale and employee satisfaction is extremely low.

I know how this may sound coming from one person but I am not a disgruntled employee. I care. Unfortunately it is becoming very difficult for me because of how much I care about improving the organization, mentoring and coaching my employees. I believe in fair and ethical judgement in decision making. I had to get this off my chest somewhere because of course there is the fear of reprisal. I am a seasonal/ Temp manager and was just offered the position back. This was the only job that I put in for

and knew I was doing a good job. Unfortunately I don't know if I want it because of how much pressure it is putting on me. Comments from my fellow managers is " All of us old-timers have gone through this at one time or another and you just have to let it go" " There will never be ethics and they are not going to change" also "There is nothing you can do to change it". I believe that I can make a difference but even the simple task of making suggestions, coming up with new ideas, or even brainstorming with fellow managers is not met well. Our branch chief states that they want us to work as a team, but every time we try this process it is a one person veto. This person has made it clear that anyone who simply disagrees with them are not liked. I understand that everyone are not always going to agree. But dealing with this level it's "keep your mouth shut". Why are we discussing all things with our branch instead of sections? Because our sections are in the same boat. All decisions are made by this one person who has never had any experience in customer service. Decisions are made such as " If your lead is not trained on working paper just have them do the review and they'll figure it out". Coming from the job I know that this is ludicrous and have stated the downfalls. But of course was unheard.

### **IRS Front-Line Manager Concerned About Customer Service Call Site Methods**

I am a front-line manager at the Customer Service Call Site in Portland, OR, and I am becoming very distressed with some of the methods we are being asked to employ to "make the numbers look good". I feel that it is not only unethical, but it is contrary to everything the "Balanced Measures" approach stands for! For example, we are being asked to take employees off the phone when the light on their LED is bright red (indicates to employee that several customers are waiting in cue) and customers are complaining about long hold times, and we are being asked to keep employees on the phones and available when there are no calls in the system (employees are not allowed to do the research and LEAD duties necessary to achieve top quality customer service) something is very wrong with this picture! Commissioner Rossotti's "vision" is being derailed and distorted. We are headed in the wrong direction, i.e., getting farther away from the balanced measures approach as it relates to Employee and Customer Satisfaction.

Employees have asked management to give them a logical reason why they are being asked to go off the phones when it is obvious that there are customers waiting in cue for someone to take their call. The only answer we have is CSOC, CSOC, CSOC! There is never a logical reason, in my mind, to make customers wait on hold any longer than they absolutely have to, and most of our employees agree.

I have been in the Customer Service Division of IRS for more than 10(ten) years, and I have NEVER seen such a blatant disregard for customer and employee satisfaction in favor of sheer numbers. We are being measured on how many "ready agents" a report tells us we need to have on the phones in 1/2 hour increments. If we are over the ideal range we look bad and if we are under the ideal range we look bad, so to make the numbers look good, we are constantly pulling people off and putting them on. As a result, customers are left on hold and employees are extremely dissatisfied with the apparent lack of interest in "looking behind the numbers" and satisfying our customers. This is not TOP QUALITY customer service. This is the lowest quality customer service I have seen, especially since it is being done intentionally!

I believe in the "Balanced Measures" approach to customer satisfaction, employee satisfaction and business results, and I know it can work! I do not believe we should care more about the numbers than we do about actual customers waiting for assistance. If the calls are there and the assistants are available---please permit them to remain on the phones and answer the calls even if the report says pull them off the phones!

We are losing our credibility--employees do not like what they see, and they have very negative comments about this approach!

### **IRS Customer Service Manager – Employees Need Technical Training**

I am a Customer Service Manager in Seattle. I have been with the Service for 25 years. I was initially excited about the way the organization is headed. I had a lot of hope in what Commissioner Rossotti was saying about the building of a new organization. I have been around long enough to know it will take some time and hard work. I have a couple of comments and a couple of questions. I'm sure I will get the

same old rhetoric about this being a work in process.

Why do we spend so much time on trying to get managers and employees involved with understanding Balanced Measures when the focus is only on one measure? The focus is entirely about Business Results. Since October 1999 we have put forth a lot of time and resources getting ourselves and our employees to understand the concept of Balanced Measures. How can we expect managers and employees to get behind the numbers if they don't have enough training to do the job.

I was fairly good with all of the process, but this week I have had to tell employees that the training we have been trying to provide them for the past two years is once again canceled. This happened not once, but four times. We spent so much of November, December and now January delivering mandatory training that there has been little or no training about the actual job. I have had the same group of employees for a little over two years so I am well aware of what they have not had. The newest group of employees that were hired in Seattle now have a training level that exceeds my employees. I have been told we need my group on the phones until we get new employees trained. The morale here is very low. I know I could take this up with my local training coordinators, but previous attempts result in promises that are never fulfilled. The reason is that our training dollars are not earmarked for any kind of skill gap training. The quality/training function and the phone site in Seattle are a joke. I know we have numbers to meet. I know we have quality issues that need to be dealt with, especially in Seattle. I think our training is so bad that there is no way it can result in good quality. I refuse to instruct in Seattle because we use chopped up material. Most instructors here believe that the National Office developed material is so full of errors that there is no point in using it.

I probably sound like I'm venting a bit, but today when yet another training class was canceled for some of my employees I felt compelled to send a message to someone. My employees were not the only ones impacted, but they are the only ones I can look out for. Thank you for your time.

Customer Service Manager Seattle Call Site

## **Comments Relating to Customer Satisfaction**

### **Two Ideas for Customer Satisfaction Surveys**

#### **1. Survey a broad base of "customers," not just the ones with whom we've had direct contact.**

For the past five years, a large portion of my time has been devoted to examination, teaching, and consulting with respect to abusive offshore tax avoidance schemes. These promotions have involve foreign trusts, international business corporations, bogus documents, and undisclosed foreign accounts, all designed to take large amounts of income out of the U.S. tax system. These schemes are used primarily by taxpayers who own, or closely control, their businesses, and are thus able to take advantage of such arrangements.

This is patently unfair to the vast majority of taxpayers, whose taxes are paid through withholding by their employer, and who never even have the opportunity to cheat on a large scale. Those folks are our customers, too, but we seldom have any contact with them, except to process their returns and issue refunds to them. Yet, they undoubtedly are aware, in many cases, of the abuse of the tax system by others, including, perhaps, their own employers.

One of our goals is to ensure fair and effective use of compliance resources. All the statements I have seen concerning customer satisfaction surveys refer to "transactional" surveys, presumably directed to taxpayers with whom we have had some examination, collection, or assistance contact. I strongly recommend that, to get the complete picture, we regularly survey a sample of taxpayers with whom we have had no such transactions--people who regularly file, and pay, without IRS assistance. We should ask them if **they** believe we are fairly and

effectively using our compliance resources.

Now, to be sure, many responses will be influenced by the "horror stories" perpetuated by media and word-of-mouth. However, over time it may be possible to identify trends with regard to the public image of the IRS. I believe that's important, if we are really seeking "balance."

## **2. Use follow-up surveys for customer assistance such as Problem-Solving Days.**

Several people in our balanced measures class had worked regularly at Problem Solving Days. They said that taxpayers were enthusiastic about the events, because, "Even if we couldn't solve their problem right there, they had an opportunity to talk to someone, and felt they were on the way to a solution."

As I understand it, there will be surveys of customers as they depart Problem Solving Days, but I am concerned that such surveys may not capture the real results. If a taxpayer leaves with the expectation that their problem will be solved, but in the long run it is not, then our survey results will be misleading. I would recommend that there be some form of follow-up survey, perhaps as long as six months after the event, to determine the final outcome. If it is not practical to track taxpayers for this purposes, perhaps they could be given a card or form to send to us at a later date if their problem is not rectified--something we could match to the prior survey. At least, then, we could more safely presume that positive surveys received at the event truly reflected positive results for the taxpayer.

Thanks for your attention.

## **IRS Employee concerned "we are only trying to make those who don't file happy" and "need to look to the compliant taxpayer" for fair treatment**

While the two previous areas had issues, the strongest comments came regarding Customer Satisfaction. It seems we are only trying to make those who don't file and pay happy (along with those that come in to walk-in sites for assistance). We are not addressing those that do file and pay. We should be looking to the compliant taxpayers to determine if they believe we are treating taxpayers fairly. For example, all the surveys go out to those that have contact with us (the non-filers and non-payers).

## **Comments Relating to LMSB**

### **IRS Researcher Questions Specific Balanced Measures**

- I see that many of your proposed quantity-oriented "Business Results" measures have to do with the number of cases handled or closed. Several difficulties come to mind...
  - (1) The number of cases worked will depend very directly on the budget. Since the budget can be increased or decreased from year to year (both in total, and how it is allocated internally), changes in the raw number of cases will often say little about IRS performance.
  - (2) Outputs (such as the number of cases closed) will often be subject to significant time lags. Work completed in one year will often have been started a year or more earlier. Counting a case when it is closed will often be misleading. (Including something like overage statistics will help to mitigate this problem, but won't solve it completely.)
  - (3) The number of cases in separate income classes, as in Exam (permanently defined by one or more thresholds) will reflect shifts in the population. Since the threshold will likely not be adjusted for inflation, we should expect that over time, more of the population (and, therefore, more of the cases) will be in the higher classes. The raw number of cases can easily be misleading.
- Will there be higher-level measures within each Division (and for the Service as a whole) that assess how well we allocate resources across all functions (and Divisions)? In other words, it's not enough that we do a good job on all our cases; we must also ensure that we are doing the **right** cases.
- It seems likely that the "Customer Satisfaction" scores will vary across functions for reasons

completely unrelated to the quality (incl. fairness, courteousness and professionalism) of the work done. Just as public opinion of IRS is always lower than that of SSA (since we take money and they give it away), "customer satisfaction" with Exam and Collection is likely always to be lower than with Appeals or Taxpayer Advocate. We will therefore need to be careful when comparing these scores across functions.

- Comparing "Actual" vs. "Plan" depends on how reasonable the Plan was. Seems like an excellent opportunity to game the system.
- Time Applied is subject to many of the same problems as the number of cases. A better approach would be to use a productivity measure, such as Cases closed per staff year. However, this should be calculated over the life of a case when it is closed--not on a FY basis.

## **IRS Employee Comments on Quantitative Measures for LMSB**

January 30, 2000

Internal Revenue Service  
Office of Organizational Performance Management  
C:DO:OPME Room 1136  
1111 Constitution Avenue N.W.  
Washington, D.C. 20224

Ladies and Gentlemen:

Here are my remarks regarding your recent solicitation for comments on Balanced Measures.

I have been a revenue agent of the Internal Revenue Service since 1971 and have been an officer of the National Treasury Employees Union since 1972. However, these views are my own and are not intended to represent the views of any other person or organization.

The Internal Revenue Service has had trouble in measuring outcomes expressed as quantities since at least November 16, 1959, when Congress found it necessary to investigate the Internal Revenue Service for using a "production goal system" or a "quota system." Naturally, organizations require quantitative measures. However, in connection with tax administration, the axiom of "You get what you measure" elevates the selection of outcomes being measured to that of critical importance.

Today I wish to comment on the Quantitative Measures recommended for use in the LMSB Operating Unit, specifically the Alternative Dispute Resolution quantity measure for both Team Casework and Non-team Casework. The term "Number of Alternative Dispute Resolutions" meaning "The number of issues resolved using Alternative Resolution techniques." Presumably, the issues submitted to Alternative Dispute Resolution will be disputes of fact and not disputes over the interpretation and application of the Internal Revenue Code and related bodies of law. Otherwise, this document would be considerably longer.

I believe the Alternative Resolution metric should be Qualitative rather than Quantitative because too many elements contributing to the proposed measured outcome are beyond the control of front line compliance personnel unless they simply concede issues in favor of the taxpayer. In addition, the goal of the measure is, or should be, to ensure the quality of the dispute resolution process. If the quality of the dispute process meets the legitimate needs of both parties to the dispute then the quantity aspects should follow.

The Alternative Resolution measure should be Qualitative, among other reasons, because:

- Internal Revenue Agents are at a disadvantage in resolving disputes with the customer base of the Large and Mid-Size Business Operating Unit because of the condition of "asymmetric information." Asymmetric information means, simply put, both sides do not have the same facts. The buyer of a

house or a used car, for example, does not have all the information and resulting advantage that the seller does, and so must spend time and money to learn more.

James Mirrles and William Vickrey won the 1996 Nobel prize in economics for path-breaking discoveries in the economics of asymmetric information: the study of transactions in which some of the parties involved know more than the others.

The relationship between law and economics is actively being studied in academia. The Internal Revenue Service has within its means the ability to set measures, using scientific methods, that would serve both the interests of individual taxpayers and taxpayers collectively.

- For better or worse, our system for resolving legal disputes is a product of the Anglo-American tradition of adversarial relations as a technique for dispute resolution. Many businesses believe that the adversarial relations model best serves the owners of the business. This state of affairs is beyond the control of front-line employees.
- The inherent complexity of the tax laws as well as the diversity of legal approaches across different jurisdictions lends itself to a Qualitative measure rather than a Quantitative measure of organizational performance.
- Taken at face value it appears that one measure of success for the LMSB Operating Unit will be the number of issues resolved using Alternative Resolution techniques per year. The extent that Quantitative Goals will be used to influence behavior at ground zero of tax administration remains an unknown element. If history is any predictor, the pursuit of Quantitative Goals, such as increasing the number of issues resolved using Alternative Resolution, will translate eventually into tangible pressure to resolve more and more issues so as to improve the Alternative Resolution Quantity measure without due consideration of the actual merits of the issues in dispute. In which case an individual taxpayer would be the winner and the collective taxpayers would be the losers.
- Measuring the number of issues resolved during Alternate Dispute Resolution might encourage front line compliance personnel, under pressure to meet numerical goals, to delay conceding issues until the issues reach Alternate Dispute Resolution.

## **IRS Employee asks “How Do You Develop Abusive Corporate Tax Shelter within Balanced Measures?”**

There are a number of individuals in the field that are asking the question: How can I develop a case against an Abusive Corporate Tax Shelter and do it in the time allocated? The answers received to date are not satisfactory. There are many techniques used by the taxpayer - including sec 1203 - that prohibits the proper development of facts in highly technical issues.

There have been a few instances where I have been told that they cannot not start an Abusive Corporate Tax Shelter because it could not be completed in a quality manner within the time that was allotted.

This is not the message that needs to get to external stakeholders. It could have a substantial impact on audits of this type in the future.

## **IRS Group Manager Comments about Balanced Measures Impact on Examination Specialists Program**

MEMORANDUM FOR OFFICE OF ORGANIZATIONAL PERFORMANCE  
MANAGEMENT, C:DO:OPME Room 1136

FROM: Group Manager, E.G.1124  
NCEN District

SUBJECT: Balanced Measures

The following comments outline items of concern about the impact of the balanced measurements as currently outlined for the LMSB operating division Examination function and especially the potential impact on the specialist programs.

**CONCERNS**

Certain specialist programs may be eliminated, or excluded to a seriously degree, from meaningful participation.

I am extremely concerned that the proposed measurements of business results for LMSB appears to completely eliminate any concern for taxes. The concept of a "quality examination" is included in the measures, but has not been clearly defined at this time. In the field there is a developing tendency, or effort, to reduce the scope of examinations, which results in a reduction in involvement of specialists on a case.

You will almost always get what you measure. If the only real measure is velocity (how fast) and count (how many) and activity (how much direct exam time) with no concern for financial results you are likely to get a great many exams, each with a few issues (certainly no controversial issues), completed on time.

**BACKGROUND**

There has always been some degree of reluctance on the part of agents to having a specialist assigned to a case because it tended to result in:

- Added hours charged to the case.
- The agent losing some control over case progress and schedule.
- Possible calendar time extension to develop the specialist issue(s).
- Possibility that the case may not be agreed due to the specialist issue(s).

This built-in reluctance to have a specialist assigned to a case normally was overcome by:

- The potential tax results that the specialist issue represented.
- Previous experience where the specialist generated significant tax adjustments.

- Reputation that the specialists could obtain a significant contribution to the results of the case.
- Upper management support for specialist involvement based on their observations of results on other cases.

## **WHERE WE WERE**

When we were the St. Paul District the Chief of Examination achieved a very good balance between what is now "Customer Service", "Employee Satisfaction", and "Business Results". There was a healthy motivation to obtain proper adjustments, but agents felt no fear when issues showing potential failed to result in an adjustment. We were able to work an issue as long as the remaining effort was justified by the short and long term benefits. The benefits could include the potential adjustment or enforcement presence.

The transition to North Central District and the change in Regional Headquarters brought a change in the balance whereby strong emphasis on business results caused a prioritizing of issues based on some minimum return on the examination effort. In CEP planning meetings it was made clear that \$2000/hour was the minimum potential to be able to work an issue. Enforcement presence, emerging issues, long term impact, etc. were being ignored to accomplish short term \$'s/hour. The pressure was to ignore the requirements of P-1-20. We were able to continue to work an issue as long as the remaining effort was aimed at a short-term potential adjustment that met the assigned threshold. Maximizing the ratio of short-term return on investment was rapidly becoming the only operating measure.

## **WHERE WE ARE GOING**

We are now faced with a strong emphasis on P-1-20 where any mention of, or focus on, examination results is considered a violation. Some agents even feel that evaluation of potential adjustments (risk analysis) is not allowed. The establishment of a requirement for a "quality examination", without fully defining what that means, is contributing to a variation in interpretation and action plans where schedule compliance and plan execution are seen as the primary or only measure of performance.

Agents are finding difficulty in establishing reasonable definitions for "Customer Service". Various taxpayers seem to be testing our resolve or ability to conduct an examination. Signs of assertiveness by the taxpayer leave the agent in a dilemma. Do they summons the necessary information to develop the facts and risk a complaint from the taxpayer, or do they "do the best they can" while doing it the taxpayer's way when they know that the case will not be as fully developed.

## **RESULTS IN EXAMINATION**

- Paralysis
- Fear of confrontation with the taxpayer.
- Reduction in examination scope.
- Arbitrary limitation of examiner's time on case.
- Arbitrary limitation of specialist's time on case.
- Avoidance of specialist involvement.

## **EXAMPLE CASES**

### **MAJOR CEP CASE - Three Year Audit**

In the planning process, the engineering team determined that 300 days was the most reasonable estimate of the minimum time for their audit. This was based on the prior cycle issues and time planning along with their understanding of the current cycle issues and experience with the taxpayer's operating and response methods.

The senior team coordinator informed the lead engineer that the plan must remain at 250 days. The thought was communicated that the only important thing that would be evaluated about the audit was to close the case on schedule and within the original plan days (a "quality examination").

The closing date apparently had been established for the case. Once established it necessitates an arbitrary reduction in the examination effort to assure meeting the "quality examination" criteria

We are consciously reducing the scope of the examination to allow for control of the outcome so as to attain a high rating on the "measurements".

### **MEDIUM SIZE CEP CASE – Three Year Audit**

In the examination of R&E credit the engineer has received a response from the taxpayer which suggests that we sample 2 to 5 projects of over 200 (possibly over 300).

The revenue agent has advised that the case hours and closing time requirements (quality examination?) limit the engineer's involvement to auditing department accounting without evaluating the project contents.

We are consciously reducing the factual development of the examination to allow for control of the outcome so as to attain a high rating on the "measurements". The ability to sustain any unagreed adjustment is in serious question.

#### MEDIUM SIZE CEP CASE – Two Year Audit

In the examination of R&E credit the engineer requested and schedules were established to interview certain individuals that performed or supervised the reported R&E activities. The taxpayer requested advance notice of the questions to be asked. The taxpayer felt that the first iteration of questions were too general. The engineer reviewed and revised the questions while retaining the right to ask follow-up questions during the interviews. The taxpayer then cancelled the interviews and is insisting that we submit all questions in writing and they will respond in writing. The taxpayer wants to take control of this portion of the examination. Their method is cumbersome, slow, and will likely not allow reasonable factual development.

The first response of the examination team is to try to conform to the taxpayer's direction so as not to cause stress in the taxpayer relations or jeopardize the audit schedule. The result is a reduction in factual development in the name of "Customer Service" and to meet the "measurements". The ability to sustain any unagreed adjustment is in serious question.

#### QUESTIONS

- When do we hold out for what we believe to be the proper audit method?
- Why would the taxpayer not cause audit delays when they know that closing on time is our primary concern? (They are already using delaying tactics.)
- In the new IRS, is there an acceptance of the fact that not all taxpayers are happy with our work?
- When is a late closing exam considered justified? How will it be measured?
- When is a rescheduled exam considered justified? How will it be measured?
- When is an over budget exam considered justified? How will it be measured?
- With only schedule emphasis will motivation for pursuing issues be lacking? Will issued be dropped or reduced adjustments proposed to avoid confrontation or delays? (It is already happening.)
- **The rhetorical question is; If your not grading me on adjustments, why do I need them?**

## **SUMMARY**

While I have concerns that the effectiveness of the examination function will be significantly reduced under the present guidance toward schedule and planning performance to the exclusion of results, my focus is on the specialist programs.

The trend line and pressures that are developing will essentially eliminate the viability of the specialist programs. To avoid this result it is necessary that the definition of a "Quality Examination" include guidance from management as to a balance of examination components including audit financial results.

The guidance must come from the management level where audit results are evaluated. A review of the reasons for and against specialist involvement in a case will show that audit results are the primary or only driving force to include the specialist auditor. This is especially a problem when the measurement system looks at only schedule and planning performance.

With the emphasis on schedule and planning performance the only lasting motivation to include a specialist on a case or to pursue new or emerging issues must come from upper management (at the financial results accountability level). Their support for specialist involvement can then be based on their observations of **financial results** on other cases.

Without guidance from upper management to assure meaningful involvement, I predict that specialist effectiveness and involvement in examinations will continue down the developing path toward insignificance.

## **IRS Employee Interested in Front-Line Non-Managerial Revenue Agents Measures**

The document states the measures for the LMSB Operating Unit. What are the measures of the front line [non-manager] Revenue Agent of LMSB?

The old adage is: What gets measured, gets done. If it's not measured, it doesn't get done. How or where do the following fit into the stated measures? If these items aren't measure, will they get done?

- Attending training.

- Teaching the training.

- Will there be any details to SE/SB operating unit?

- Pre-filing agreements.

## **IRS Employee Sees Positive Strides in Customer and Employee Satisfaction; Business Results Lacking Balanced Measures Comments**

### **Summary:**

My overall assessment of our balanced measures is that we have made positive strides in assessing customer satisfaction, quality and employee satisfaction, but have taken two steps backwards with our proposed business results measures. Measuring against a target or creating an efficiency measure is not a sin and the development of such measures will vastly improve what we have developed to date.

In addition, after reviewing the measures and attending the Balanced Measures Class for Managers, I have a concern that applies to all measures for all Operations in the Service--What happened to measuring quantity against the plan or establishing an historical base and then creating an index for comparison? This was a cornerstone of the initial measures information and the Atlanta conference attended by all IRS and Treasury top executives. Now it's gone and many of the so-called measures are meaningless as measures without such a comparison.

### Detailed Comments

1. Page 1: Creating an enabling environment. The concept of empowerment should be included. IRS must empower as well as enable front-line staff to better meet the needs of our customers--taxpayers.
2. Page 4&5: Appeals: --Total Disposals: Some weighting and comparison against plan or indexing needs to be done here to make the measure meaningful.
3. Page 4&5: Appeals: The Outreach measure of total hours needs to be valued in some manner—You could provide 1000 hours of Outreach to groups that do not want it. I suggest some type of quality measure that would go along with this measure. All alone, this measure is meaningless.
4. Pages 6-8 Collection: Percentage of Cases Overage: What is the rationale for 16 months. Seems very subjective and if I am a taxpayer, its not too timely to get my results in 16 months. This is not too appealing and probably results in a high level of customer dissatisfaction.
5. Pages 6-8 Collection: Number of cases closed: This is a workload measure that tells you very little. We could develop a productivity measure of Cases closed per staff year?
6. Page 9-12 Customer Service measures: Timeliness--this measure is unclear--needs more information for anyone to understand what are you trying to measure?
7. Page 9-12 Customer Service measures: Level of Service—An explanation of why those that were in the queue and abandoned right before service are not counted in total calls is needed. I believe they should be counted.
8. Page 13 –19 Customer Service: Automated Underreporter (AUR) Age of Inventory. Why is the 30-day period crucial? In addition, a baseline should be established for this measure to be meaningful.
9. Page 13 Customer Service: Automated Underreporter: AUR closures of cases: Compared to what -- this tells you nothing unless it is compared to a previous period or its compared to the plan. An index must be created.
10. Page 15 Service Center Examination: Examination closures: Compared to what --this tells you nothing unless it is compared to a previous period or it's compared to the plan. An index must be created
11. Page 17 Toll free: Level of service: An explanation of why those that were in the queue and abandoned right before service are not counted in total calls is needed. I believe they should be counted
12. Page 17 Toll free: Adherence to scheduled hours. This seems to be an internal measure that could be used to assess management, but not a measure of business results to be displayed outside the IRS.
13. Page 19 Walk-in Quality—Need some more information on how quality will be determined--Is it a Mystery shopper concept?
14. Page 19 Total Walk-in Contacts. Compared to what. This tells you nothing unless it is compared to a previous period or it is compared against the plan. An index should be created.

15. Pages 22-23 Examination: Percentage of Cases Overage--Need reasons for the 6 and 9 month distinction for Overage cases.
16. Pages 22-23 Examination: Number of returns closed by income category: We need to create an index. The workload numbers alone are meaningless.
17. Pages 26-27:LSMB: Number of months from file date to closure--this should be a timeliness index based on a standard time to obtain a closure or an index from the previous period. The number of months is misleading.
18. Total number of returns/cases closed: These must be an index or it will be a meaningless workload indicator.
19. Direct staff years applied: This would be useful if it was compared to total staff years available.
20. Total direct outreach staff years applied: Need to make this an index or compare it to the plan to make it meaningful.
21. Number of Alternative Dispute Resolutions: A comparison to a previous baseline period would make this a useful measure.
22. Pages 28-30-Taxpayer advocate: cycle time need a comparison to previous period or an index to make this measure meaningful.
23. Outreach effectiveness/results: How will this be measured—a survey, focus group, or mystery shopper.
24. Pages 31-34: Tax Exempt/Government Entities Balanced Measures-Cases Closed --This needs to be an index for comparison to the previous period or a baseline period.
25. Time Applied: Number of hours applied to CEP casework: compared to what—need to create a measure or an index to make this meaningful.
26. Outreach: see comment above.

The comments listed below are from the office of AC (International) and pertain primarily to the International District.

- The International District is unique. The ways and means that we perform our compliance efforts are different than domestic districts. How will these impact business results?
- What is the purpose of the overage percentage and the in-process percentage? Does it fit with EQMS that has a timeliness of action standard?

On page 26, case overage, new team casework will use # of returns; team casework will use # of cases.

## **Comments Relating to SB/S**

### **IRS Employee Suggests Measures for Trust Fund Employment Tax System**

The trust fund employment tax system (Form 941 and FTD requirements) is the principal revenue artery of the federal government. Its successful operation is central to the viability of the nation's tax system. If this system fails, the government fails. There is no business result measure that gauges the performance status of this system. The Collection function has the primary responsibility for trust fund compliance. We need to develop a measure that tracks the performance of the trust fund tax system.

Suggested measures:

- Forms 941 filed as a percentage of returns required to be filed
- Actual FTD dollars deposited timely as a percentage of required deposits
- Percentage of new businesses contacted by IRS Outreach Programs within 90 or 120 days of receiving EIN
- Percentage of total accounts receivable consisting of trust fund taxes
- Percentage of total trust fund accounts receivable in active inventory, percentage in queue or suspense status
- Number of in-business trust fund entities in active inventory, percentage in inactive inventory

### **Group Manager Questions Effectiveness of Counting TDA's and TDI's**

As a group manager in collection for over 11 years I am dismayed that we still attempt to measure our effectiveness by counting TDA's and TDI's. The Entity system has been around for many years and offers a vehicle for measuring collection's effectiveness against taxpaying entities. It has been the collection corporate philosophy for many years to address total compliance. Focusing on number of modules closed simply does not do that. In fact, it discourages that. It tempts employees and managers to play the system by applying funds in ways that satisfy the most modules, selecting entities with the most modules or the easiest ones to close and ignoring significant cases. It was a bad measure 27 years ago when I entered the Service, and it is still a bad measure. It seems we count it just because we can. Counting entities closed is still a far from perfect measure. Standards as to when they could be considered closed would have to be developed to insure uniform measurement. By my experience shows that getting our employees to focus on resolving cases decisively and completely is in both their interests and that of taxpayers. It is also the most productive way to deal with delinquencies in the long run.

### **Comments on Overage Measure from Delinquent Inventory Task Force** **The Overage Measure in Field Collection Groups**

The Delinquent Inventory Task Force has recommended that the overage percentage be eliminated as a primary measure of quality for Business Results in Collection. It made this recommendation on the basis of field manager and national office experience in dealing with this measure. It is also the case that recent changes in case work cycle time due to the impact of RRA 98 have made this recommendation more imperative. Now many cases are overage or potential overage as shown on Collection inventory reports/Entity. Now, a final reason for supporting the recommendation has been provide by the Service in its new IRM 105.4, dated 9/15/99. The new sections of the Managing Statistics in a Balanced Measurement System Handbook clearly emphasize the potential problems from putting undue emphasis on the percentage of overage cases as a measure. The IRM indicates that inappropriate use of a percentage of overage measure can easily lead to a violation of section 1204 of the RRA 98 provisions. And given the experience of how overage percentages have been used in the past, Collection will be

playing with fire if they put emphasis on the overage measure.

The IRM states that the overage percentage measure is not a Record of Tax Enforcement Results (ROTTER), however, it also indicates that this doesn't mean it can be used without care. IRM 105.4.1.11(1) "Timeliness statistics in combination with other statistics such as number of cases worked by an employee or group of employees, may cause inappropriate action." The Exhibit at 105.4.3-1, in the question and answer example Q4., discusses overage specifically, and states that "over-emphasis on either Cycle Time or Overage could result in a premature or inappropriate action and should be avoided." The Exhibit further states that "any discussion of overage statistics should be undertaken cautiously to avoid the suggestion of a production goal or quota at the group level. While not a violation of Section 1204/the Regulation, establishment of numeric goals below the division level is inconsistent with guidance in Chapter 2, and is a violation of the Regulation." (response to Q16.) Two other question responses reiterate the need for caution when dealing with overage statistics (Q8. & Q12.), and go on to state that emphasizing the overage measure "may result in premature disposition of cases through inappropriate decisions." And furthermore, the advice is given that "This statistic should be used as an indicator of the need for further research to determine the underlying causes, including looking into such areas as case processing, resource allocation, inordinate case receipts, etc."

If one looks to IRM 105.4 Chapter 2 for guidance on sharing goals, one finds several questions listed for consideration prior to deciding to share such a goal as an overage percentage. Several of these questions seem very pertinent to the overage percentage issue, namely:

- What is the potential undesirable outcome that could come from the misuse of the Goal?
- What is the risk that the intended recipient would reasonably believe that the communication suggested a quota or goal below the District/Division level or for an individual? Regarding this last element, consider:
  - a. the degree or organizational knowledge and understanding of the intended recipient(s)
  - b. the organizational climate at the time and place of the communication . . .
  - f. the expectation of follow-up with respect to the Goal and the nature of the expected follow-up
  - g. the probable internal perception of the communication of the Goal

Given Collection's cultural history, the consideration of these items should lead Collection to not emphasize the overage measure in the field. There appears to be no good reason to place emphasis on the overage measure, and to effectively put such emphasis in place would require massive reviews of individual cases if one did not want to risk violating the Regulation through the use of a numeric goal below the Division level.

## **Concern with Overage in Service Center Examination and Office Examination**

I studied the publication detailing the proposed measures for evaluating performance in the IRS. I have concerns with the definitions of "overage" in two areas:

Service Center Examination: overage is defined as those cases not closed within 30 calendar days. Frankly this does not give enough time for taxpayers to respond to the notice and have proper consideration given to this response. In many instances taxpayers must either locate their records themselves or contact their preparer before they can study and address the issue. Thirty days is a reasonable minimum to expect a response from the taxpayer. This then does not give the SC exam employee any time to consider the response. I would anticipate that if 30 calendar days is set as the goal you will either have a significant number of overage cases or a significant number of cases closed prematurely (with unhappy taxpayers).

Second, Office Examination has an overage goal of 6 months. This is fine for correspondence examinations as well as examinations of Schedules A, D and even small Schedules C. However, once you get into large Cs or Schedule Fs, this may well be unreasonable. Second, as an Office Exam manager, I don't choose my workload. If 4000 EITC cases are ordered by my Branch Chief, we work 4000 EITC cases. The group manager's effectiveness should not be determined by the type of cases they work if they are given no control over this issue

## **Concern about "Gaming the System"**

### **Business Results - Quality**

#### **% Cases Overage**

I believe that this measurement is inappropriate for a number of reasons. The fact that a case has been in Collection Field function (CFf) for 15 months is an indication that that specific case may warrant managerial review to determine if it is being properly worked, but as a global goal within CFf looking at reducing percentages can lead to problems,

Years ago, before the establishment of ACS, the Collection queue and Status 60 for Installment Agreements, the issuance cycle of a TDA was fixed after it came out of the notice stream and had a close relationship to the assessment date of the tax we were trying to collect. However, since ACS processing, the queue and status changes for Installment Agreement are now stages for many cases before they reach CFf, the TDA issuance cycle has been significantly decoupled from the assessment date.

When we talk about case aging there are three significant questions:

How long since the tax accrued and became due?

How long since the tax was assessed and the collection statute of limitation started to run?

How long has the case been in its current collection status?

The overage measure looks only at the last and least significant of the three. There are numerous situations where an account with a new TDA issuance cycle is actually much older than many of the "overaged" cases in CFf inventory because there have been lengthy intermediate processing statuses or because the case has been suspended and reissued after bankruptcy, installment agreement or temporary Currently Not Collectible conditions.

If we are looking at the TDA issuance cycle alone, we have no real idea how "old" the account actually is. We should be looking at the whole collection process to age a case.

The use of a percentage of overage accounts as a measure of quality (and managerial goals) creates tremendous incentives to game the system because it is relatively easy to change the account status and thus reset the aging clock, without accomplishing anything meaningful on a case. Accounts may be returned to the queue or put in inappropriate installment agreements which are bound to default merely to get an overaged account out of the group. When these cases eventually return to CFf they have a new issue cycle and are not "overaged" even though they were "overaged" before their prior disposition. There is also an incentive to dispose of cases inappropriately by CNC or by taking enforcement action merely because they are overaged and count against your percentage. Sometimes cases become overaged simply because they are complex and require lengthy timeframes for dealing with summons enforcement or dealings with Counsel, Examination or CI; this should not be counted as a negative. Other times a group or branch will have a spike in overaged accounts because staffing has declined and there is no one to assign to the remaining inventory - this is not a "quality" issue when local management has no control over staffing levels.

Reducing CFf overage may not reduce "taxpayer burden". We want to resolve cases as soon as possible both to clear our books and to get us out of the taxpayer's face with minimal necessary discomfort for the taxpayer. However, the decoupling that I mentioned above means that many of our supposedly "new" CFf cases are quite old in terms of accrual dates and assessment dates. The taxpayer does not know of care if a case was sitting unworked in the queue for several years or sitting unworked in CFf for the same period. In either case the taxpayer would be understandably confused if, after years of inaction, we suddenly demand payment and start taking enforcement action. When a case is returned to the queue and then reissued we have lost all case momentum and must start with the taxpayer from square one - more burden. An overaged case where we have repeatedly met with the taxpayer and not managed to

advance the case toward any resolution is one that has added to taxpayer burden and should be counted as a negative.

In short, as a quality measure, we should look at the reason a specific case has been stalled for a lengthy period but should not look at an overage percentage because the system is very susceptible to being gamed on this issue. It may be as simple as pulling a large number of new cases out of the queue to drop the "overage" percentage or as nasty as encouraging inappropriate enforcement actions to quickly dispose of overaged accounts that should be resolved in another manner. It does not encourage good case management practices.

#### Quantity (Volume/Mix)

##### Number of cases closed TDA & TDI

I believe that looking at raw numbers of closures in these areas will encourage some negative activities. Since an account put into CNC or IA counts as much toward "closed" as a full pay or appropriate adjustment, the pressure will be on to skim and dump - quickly dispose of accounts for the numbers without taking the time to properly resolve complex cases. There would also be an incentive to pull low dollar, easily disposed of cases from the queue to boost closure numbers rather than working the larger dollar, more complex but perhaps more productive cases which require time but reduce case turnover. On the TDI side, it would encourage inappropriate findings of "Not Liable" or "Little or No Tax Due" rather than encourage the sometimes time consuming efforts to actually secure a taxable return through working with the taxpayer and their representative or issuing a summons for return material. We should be looking at closures for their appropriateness, not for their numbers.

#### Conclusion

From my comments above you may think that I have an overly negative view of human nature, but during my 27+ years with IRS Collection, 18+ as a revenue officer and 9 as a National Office Collection analyst, I have seen examples of what I described above. Focusing on numbers (even non-enforcement numbers) can cause the numbers to be delivered but in ways that were not anticipated when the goals were established and that negatively impact taxpayers and the Service. If a system can be gamed to meet a target, it will be gamed.

### **Collection Manager Voices Concern About Using Balanced Measures**

I am a Collection Manager in the Central California District.

To sum up my employees feedback on balanced measures: They believe it is the most unbalanced approach the IRS management has taken to date. Philosophically speaking, they believe in the three measures (ee satisfaction, customer satisfaction, and business results). Once they learned of the contents of the three areas, they felt all the focus was in one area. Business results measures were so watered down, they were almost meaningless. There were no true measures on case closures, taking the right action, etc. For the measures being used, they do not truly reflect on taxpayer compliance. Being Revenue Officer, they do not believe that educating the taxpayer and making it easier for them to file will increase compliance. They mentioned other factor are much more important with regards to compliance. One is that some people will not pay nor will they file correct returns unless they are afraid of getting audited or dealing with us for back taxes. Taxpayers are realizing that we are not conducting as many audits, and have very little Collection enforcement, and are becoming more flagrant with non-compliance.

I have also spoken to Enrolled Agents in joint management/EA groups, and the feeling I got was that those who are going to file and pay will do so. In the past they went to EA's, CPA's, etc for help, and now the IRS is providing more of that assistance. While we should make it easier to file and pay, it is not increasing compliance. It is just shifting the resources on who assists the taxpayer. They also felt the work was getting out that the IRS is spending most of its assets on assisting those who want to file and pay, and less is devoted to traditional compliance. I had an attorney who recently told me she had a client who had \$200,000 in unreported income on his tax return (roughly every year). She said in order to

represent him, he would have to file a correct return. The taxpayer refused, saying the IRS doesn't do audits anymore, he had been getting away with it for several years. These stories are becoming more and more common.

Employee Satisfaction was not given much time, and the employees became aware that the class really was a Customer Satisfaction class that they felt was re-named balanced measures.

While the two previous areas had issues, the strongest comments came regarding Customer Satisfaction. It seems we are only trying to make those who don't file and pay happy ( along with those that come in to walk-in sites for assistance). We are not addressing those that do file and pay. We should be looking to the compliant taxpayers to determine if they believe we are treating taxpayers fairly. For example, all the surveys go out to those that have contact with us ( the non-filers and non-payers).

## **Concerned With Receiving Adequate Direction and Training Relative To All Three Components Of Balance Measures**

As a Revenue Officer for over 25 years I am concerned with receiving adequate direction and training relative to all three components of balance measures. During my career, aggressive enforcement was encouraged and rewarded. This is especially true for the Revenue Officer position as *all* unresolved compliance cases/issues are sent to the field for resolution. I agree that taxpayers should all be treated with dignity and respect and have always endeavored to treat taxpayers in this manner despite surrounding negative attitudes. However, in being "fair and firm" it may well be perceived by the public of over-aggression. Historically, taxpayers who have had enforcement action taken or warned of it against them will levy 1203 charges whether true or not in order cloud issues or stall the collection process.

I am not confident that the agency will treat me in a fair manner. If I have 10 1203 charges levied against me, and my actions are totally correct, legal and thorough, I really find it hard to believe that the agency will not adopt a "Where there's smoke there's fire." posture and convict me on the eleventh. Frivolous Non Filers, disreputable tax representatives and chronic trust fund violators are especially prone, and organized, to use these methods against the known most effective Revenue Officers. It is already happening, OIC reps are telling IRS personnel that they will make 1203 charges if the OIC is not approved. Since there is NO LEGAL PENALTY for filing false 1203 charges, just ask TIGTA I did, the employee is left with virtually no choice.

When 1203 allegations are investigated, they are investigated by Criminal Investigators who's job it is to get a conviction. The interviews are conducted just like criminal investigations and are intimidating and unfair, especially to the innocent employee who comes out traumatized and demoralized. Revenue Officers and Revenue Agents conduct many civil enforcement investigations (TFRP) and there are very specific, have guide lines and formats and the interviewee is not subject to a "Convict at all costs!" treatment.

I suggest the following measures that may assist in minimizing the problems above;

- Provide comprehensive transactional analysis behavior techniques type classes who are taught by professionals
- Since filing false 1203 allegations are not illegal, have Counsel/TIGTA proactively and aggressively consider utilizing existing statutes relative to Threats against employees employment status to discourage false 1203 filings
- 1203 allegations should be investigated along civil infraction guide lines, not criminal. Remove criminal investigators from the process.

When considering 1203, measures appear more stacked than balanced. I do hope that this does do some good and I am willing to assist in the process any way I can.

Thank you for listening.

### **IRS Employee Concerned Measures Off-Point for OIC**

These measures are off point from the very start since they call for unbalanced measurement of one work item-OICs. In addition to this problem, stressing OICs also represents an unbalanced approach to ensuring integrity and fairness to all taxpayers since they are currently being heavily sold as tools for beating the IRS and most taxpayers don't understand them. I don't think we can pick out any work unit and hold it up as a balanced measures tool. So let's drop this approach for Collection and get Balanced Measures started right.

### **IRS Employees Asks about Definition of Outreach Effectiveness/Results Relating to Taxpayer Advocate Service**

In reviewing the balanced measures for the Taxpayer Advocate Service, all but one are clearly measurable. The one I'm not sure about is Outreach Effectiveness / Results. It is defined as a measure of effectiveness to assess whether external outreach efforts are achieving the desired outcome.

How is effectiveness measured? Is the number of people we contact or speak to a measure? What is the desired outcome: more cases or less cases? Please clarify this for me.